Banks Testing the EDI Waters

Continued from *page* **1A**

dling dollars and data.

No bank claims to have recouped its EDI investment and turned a profit. "I would imagine that EDI is not profitable for any bank," said Carol E. King, vice president, EDI division manager, at First National Bank of Chicago, a unit of First Chicago Corp. "There are big expenses to being a player in this, and it hasn't been around long enough."

Corporations are less interested in financial EDI than in trade-document EDI, in which companies exchange purchase orders and invoices.

In an interview early this year, John McWilliams, director of finance at Bergen Brunswig Corp., a big pharmaceutical wholesaler, said financial EDI offers little in the way of savings.

If 20% of suppliers were being paid this way, Bergen would save $1,200 a month in check-generation charges, he said. But if those same suppliers could exchange purchase orders and invoices with Bergen through EDI, the company would save $144,000.

Nevertheless, Mr. McWilliams said his company will not do business with a bank that does not offer EDI services. "It's not for the money," he said. "It's completing a cycle in the exchange of data."

"With EDI, you are substituting electronics for paper," said Ralph Joy, who is vice president and business unit manager of electronic services at the bank subsidiary of Mellon Bank Corp.

"You have to offer them a reason beyond internal cost saving, such as error reduction and a more efficient use of staff."

Mr. Joy says sales people need six months to persuade a customer to use EDI for receivables and twice as long to persuade them to use EDI for payables.

Defense Contractors

"Our experience on the West Coast is that clients are slower to react, but they are now coming to the fore," said Mr. Feder of Security Pacific.

He said he has pilot projects under way with four West Coast defense contractors.

"Cash management as a whole is becoming increasingly important to our client base, as compared to a credit relationship," said Ms. King of First National Bank of Chicago.

"EDI is important, but it is not overshadowing cash management activities."

Most major banks, including Ms. King's, are planning for a time when increased volumes will make EDI a more important offering. Three-quarters of the respondents said EDI will be a necessary service.

"If a bank can't play in the EDI world, it will lose its payments business," Mr. Feder said.

Signs of a Shakeout

Signs already exist of a potential shakeout among cash managers, based on the willingness to invest in the technology.

"We are attracting business that would go to other banks that don't have EDI," Ms. King said. Bechtel Corp., which did not have a cash management relationship with the Chicago bank, now uses its EDI service, Paystream.

"We see EDI as having long-term potential, a way to differentiate one cash management provider from another," Mr. Feder said.

Not all big banks offer cash management, and bankers speculate that not all cash managers will offer EDI. Bankers speculate that a top tier of banks, perhaps 10 or 20, will offer a full-range of EDI services. Smaller banks may hire these banks to do EDI for them.

The VAN Threat

Bankers are less worried about a shakeout among cash managers than the potential threat from communications companies. Almost 50 respondents said these nonbanking companies are a threat to the cash management business.

These companies, often referred to as value-added networks (VANs), can transmit electronic invoices between corporations, leaving banks to handle just the transfer of funds. Whatever business GE Information Sercvices and other communications companies can amass comes at the expense of banks.

But the issue is more complicated. Banks have formed alliances with VANs, to promote EDI usage and for their communications abilities.

Mellon, for example, is one of eight banks that have formed a consortium with Sears Communications Co., a unit of Sears, Roebuck & Co., to offer EDI services. Security Pacific is allied with BT Tymnet Inc., and First Chicago uses the network of International Business Machines Corp.

"IBM is in the communications business," said Ms. King. "First Chicago is in the electronic payment business. That is not a threat. It is good for our clients."

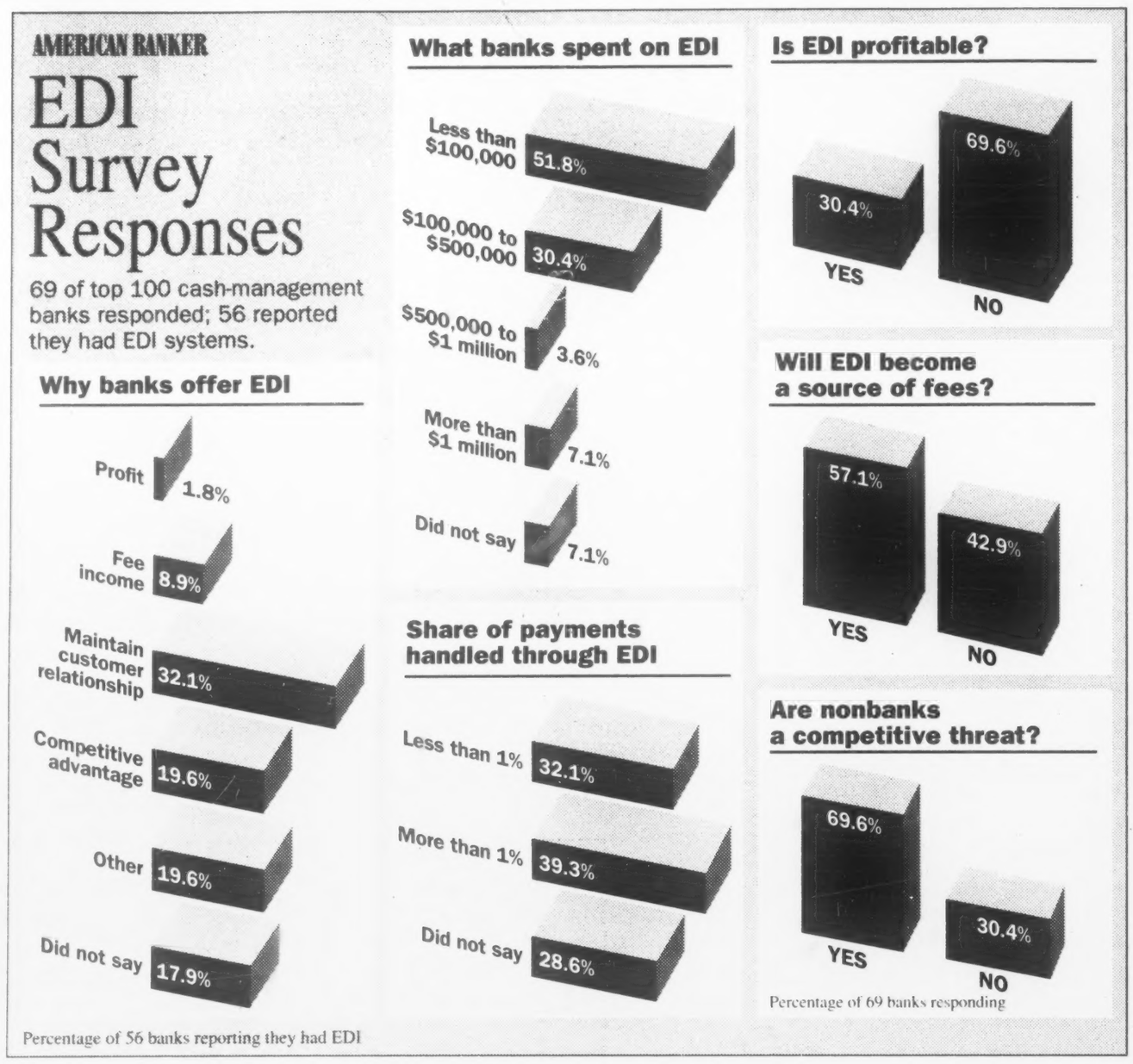
But VANs are a threat, she said. "The threat is that a corporation may move the payment responsibility to the VAN, where the VAN is responsible for processing the payment."

Bankers are divided on whether they should encroach on the VANs' processing and transmission business.

Ms. King said bankers should stick to banking. "Unless banks can add value in the processing of messages such as invoices or purchase orders, we should not do it," she said. "The communication network business is well supplied. I don't see that as our niche."

Mr. Feder disagrees. He said banks should consider transmitting invoices and purchase orders in competition with VANs.

"Banks have provided data with information to customers for 20 years," he said. "We are not likely to cede this business to the [GEs] of the world." □


AMERICAN BANKER
EDI Survey Responses
69 of top 100 cash-management banks responded; 56 reported they had EDI systems.
Why banks offer EDI
Profit 1.8%
Fee income 8.9%
Maintain customer relationship 32.1%
Competitive advantage 19.6%
Other 19.6%
Did not say 17.9%
Percentage of 56 banks reporting they had EDI
What banks spent on EDI
Less than $100,000 51.8%
$100,000 to $500,000 30.4%
$500,000 to $1 million 3.6%
More than $1 million 7.1%
Did not say 7.1%
Share of payments handled through EDI
Less than 1% 32.1%
More than 1% 39.3%
Did not say 28.6%
Is EDI profitable?
YES 30.4%
NO 69.6%
Will EDI become a source of fees?
YES 57.1%
NO 42.9%
Are nonbanks a competitive threat?
YES 69.6%
NO 30.4%
Percentage of 69 banks responding

COMPANY *index*

This index lists significant references to companies and banks in today's special edition. Pages refer to where stories begin.

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Seattle-First National.... 6A
Security Pacific.... 1A,6A
Tandem.... 7A
Union Pacific.... 7A
Weyerhaeuser.... 22A

If Lorenzo de' Medici were alive today, here's one award he'd want.

As a business leader and patron of the arts, Lorenzo would have wanted the Medici Bank to get the credit it deserved.

Today, those businesses that supported the arts in 1989 can compete for a Business in the Arts Award. Sponsored by the Business Committee for the Arts and FORBES Magazine, this prestigious national award recognizes innovative partnerships between business and the arts.

Nominations are now open for any business, large or small, that contributed money, personnel, goods or services to the arts. To nominate a business, write the Business Committee for the Arts, Inc., 1775 Broadway, Suite 510, New York, NY 10019. Or call (212) 664-0600 for information.

But you must not delay: The deadline for entry is May 31, 1990. After that, your business will have as much chance to win as Lorenzo de' Medici.

BUSINESS COMMITTEE FOR THE ARTS, INC.

This advertisement prepared as a public service by Ogilvy & Mather.

C01751

TOP 100 THRIFT EARNERS
Tables begin on page 14

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VOL. CLV NO. 103 | Friday, May 25, 1990 | 155th year

Midwest Banks Appear Ready For Examiners

By BILL ATKINSON

WASHINGTON — If any banks can withstand toughened examinations by the Office of the Comptroller of the Currency, those in the Midwest have the best chance, analysts say.

"I think you'd be too much of a Pollyanna to think the Midwest won't see some increases" in nonperforming real estate loans, said Kenneth F. Puglisi, an analyst at Keefe, Bruyette & Woods Inc. But he said the dose of regulatory medicine would not be as severe as in New England and the Southeast.

Huge provisions for real estate loan losses in the latter two regions caused red ink at some of their largest institutions.

ANALYSIS: *Follow-up on the news*

Midwest examiners are moving quickly to identify problems before they get out of control and are not becoming too harsh, according to John R. Powers, acting deputy Comptroller in the agency's Chicago office. "We don't have any Texas rangers out here," he said. "If you choose one word in the central district, it is 'solid.' "

Several large midwestern regional banking companies have already shown the effects of recent national bank examinations; others are certain to follow. But the regional economy is relatively healthy, and recent increases in nonperforming loans have not matched New England levels.

Nonperformers Up Sharply

Michigan National Corp., Farmington Hills, said in May that its nonperforming loans had risen nearly 45%, to $139 million, after a Comptroller's examination that included scrutiny of the commercial real estate portfolio.

Ameritrust Corp. lost $51.6 million in the first quarter after a special provision – taken at the behest of examiners – of $120 million for possible loan losses. The Cleveland-based company said it increased reserves to cover a potential economic slowdown and a decline in real estate values in other parts of the country, including Florida.

NBD Bancorp, the profitable parent of National Bank of Detroit, may be next.

'A Definite Slowdown'

"We are seeing a definite slowdown on really all fronts, which is to say, leasing and sales have slowed down and so has [loan] production," said Thomas J. McDowell, president of NBD Mortgage Co., an NBD

See **STRONG** *page* **7**

INSIDE NEWS

INTERNATIONAL

DEUTSCHE BANK plans to have a 300-branch network in East Germany. *Page 8*

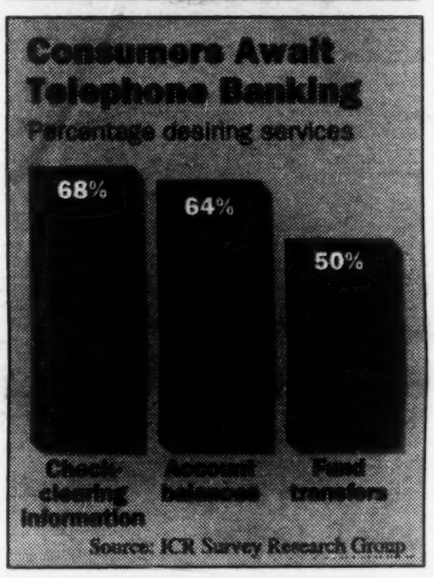
MORTGAGES

BARCLAYS' U.S. mortgage unit, based in Charlotte, N.C., is pursuing a course of cautious growth. *Page 10*

TECHNOLOGY

SWISS BANK, a leading merchant bank that specializes in securities trading, is giving IBM staffers an inside look at its New York trading floor. *Page 3*

CONSUMER



FINANCIAL INSTITUTIONS are looking at banking by phone not only as a customer convenience but also as a way to cut costs. *Page 6*

FINANCE

JACK ECKERD CORP., which went private in a $2.5 billion leveraged buyout in late 1985, is negotiating with its bank group to restructure nearly $500 million in credit lines. *Page 22*

NEW CAPITAL RULES and concern about asset quality are spurring banks to trim their corporate loan portfolios. *Page 24*

COMMENT

SEIDMAN'S HONESTY about the gravity of the thrift crisis has irked political 'team players,' writes Irvine Sprague. *Page 4*

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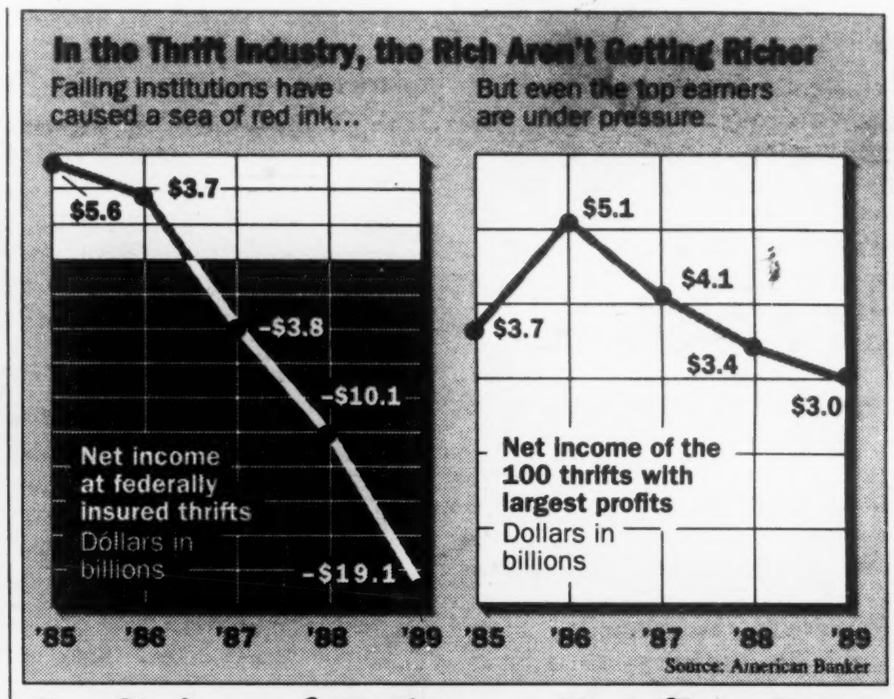
TO OUR READERS:
The *American Banker* will not be published Monday in observance of Memorial Day.



In Spite of Bailout, Profits Sank At the Nation's Healthiest Thrifts

By PHIL ROOSEVELT

NEW YORK — The thrift bailout law was widely expected to boost the industry's strongest and most profitable players. But so far, there is little evidence of this at the bottom line.

In fact, earnings of the top 100 thrifts in profits declined nearly 10% in 1989, according to an *American Banker* survey. Return on assets changed little, averaging 0.67%. (See tables, beginning on page 14).

Hope Lingers On

Many executives and analysts still expect the industry's strong money-makers to excel in the wake of the thrift law. Competition from troubled, desperate thrifts has been reduced, and survivors with capital will be able to expand strategically.

But the benefits may take longer to materialize than initially thought, and they may not be as dramatic.

Competition from Banks

One of the biggest obstacles to better earnings is increased competition from commercial banks. Though the profitable thrifts have seen the weaker ones weeded out of the industry, commercial banks have been storming into the home mortgage market, long the bread and butter of thrifts.

"This is as cutthroat a mortgage market as I can recall," says

See **THRIFTS** *page* **15**

RTC Bucking State Laws In Bid to Spur Thrift Sales

By BILL ATKINSON

WASHINGTON — In another aggressive move to speed the sale of seized thrifts, the Resolution Trust Corp. formally adopted on Thursday a rule permitting banks to acquire and operate the branches of failed thrifts even if that violates state laws.

The controversial ruling seeks to override legislation in at least 10 states. Of the 320 thrifts under RTC control, 46 with total assets of $10 billion are in these states.

While the number of thrifts affected by the ruling is relatively small, the action is important because it reflects the RTC's new get-tough approach to disposing of seized assets. In other recent actions, the agency has decided to discount prices on slow-moving real estate and reduce the size of down payments.

The RTC hopes its latest move will encourage banks to buy thrifts in order to gain statewide branch networks.

The action is sure to spur legal challenges from state banking interests. But the RTC, increasingly burdened with the inventory of hundreds of failed thrifts,

See **RTC** *page* **11**

Banks to Test Paying Taxes Electronically

By JEANNE IIDA

SAN DIEGO — Four New England banks will be the first to transmit electronic payments of taxes to the federal government in a test scheduled to begin June 5, Treasury Department officials said this week.

In the trial, Bank of New England, State Street Boston Corp.'s State Street Bank & Trust Co., Connecticut Bank and Trust Co., and Durfee Attleboro Bank will send withholding-tax payments to the Internal Revenue Service in Andover, Mass., via the automated clearing house network.

A Handful of Transactions

The test is called Adept, an acronym for automated deposit of electronic payments for taxes. At first it will involve only a handful of transactions. It is the first step toward what government officials hope will be widespread acceptance of paperless tax payments by corporations

See **IRS** *page* **3**

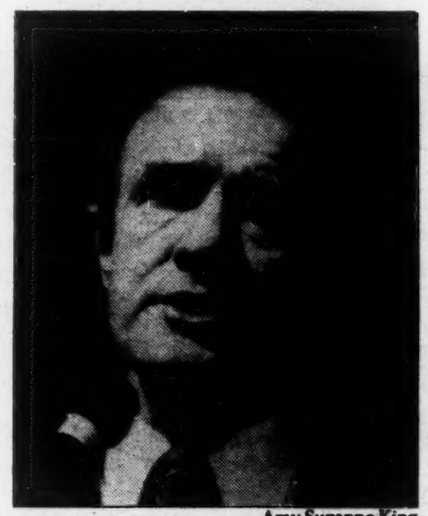
Senate Bill Would Pressure Japan To Open Up Its Financial Markets

By ROBERT M. GARSSON

WASHINGTON — Taking aim at Japan's hard-to-crack financial markets, the Senate Banking Committee approved legislation Thursday that would authorize federal banking regulators to deny applications from banks whose home countries discriminate against U.S. financial institutions.

The Fair Trade in Financial Services Act, sponsored by committee chairman Donald W. Riegle Jr., D-Mich., was attached by voice vote to a measure amending the Defense Production Act. A markup of that larger bill was nearing final committee approval on Thursday afternoon.

If passed by the full Senate, the financial services measure would go to the House, which does not have a counterpart to Mr. Riegle's bill. It endorses the regulatory concept of national treatment: The United States would give foreign banks the same operating latitude as domestic banks, but would retaliate against the banks of any country that is deemed to discriminate against U.S. banks.


Amy Suzanne King

Donald W. Riegle Jr.
Senate Banking Committee

Mr. Riegle's measure is aimed primarily at Japan.

President Bush opposes the Riegle bill and would veto it if it comes to him as a freestanding bill. But the administration has not considered what it will do if the measure is attached to another bill, a Treasury representative said Thursday.

The Senate Banking committee voted to recommend that the

See **SENATE** *page* **21**

COMMENT/ *By Irvine Sprague*

Seidman's Frankness Irks Political 'Team Players'

WASHINGTON — It makes a great deal of sense to some staffers in the Bush administration to dump Bill Seidman. Bank crooks and those who looted savings and loans don't like him either.

Seidman has that annoying habit of telling the truth, which frustrates efforts to cover up the seriousness of the savings and loan scandals and the real cost to the taxpayers. He also won't take orders from those who have no real understanding of the depth of the problem.

The General Accounting Office says we are talking about a cost ranging from $325 billion to $500 billion over the next 30 years, at least double the cost the administration had originally admitted to.

Where is the push coming from to oust Seidman?

Triple Threat

It would be fair and accurate to point the finger at Sununu, Brady, and Keating. Some would call it an unholy alliance. I say it is a marriage made in heaven.

Charles Keating, the most notorious of the savings and loan wreckers, vented his ire at Seidman in a National Press Club speech containing more vitriol than fact, and John Sununu, the White House chief of staff, personally leaked stories that Seidman was on the way out. Treasury Secretary Nicholas Brady, working behind the scenes, is probably the most effective member of the trio.

I believe President George Bush when he says he likes and respects Seidman, believes he is doing a good job, and would like him to stay in the administration as a roving ambassador on world debt problems after he leaves the FDIC.

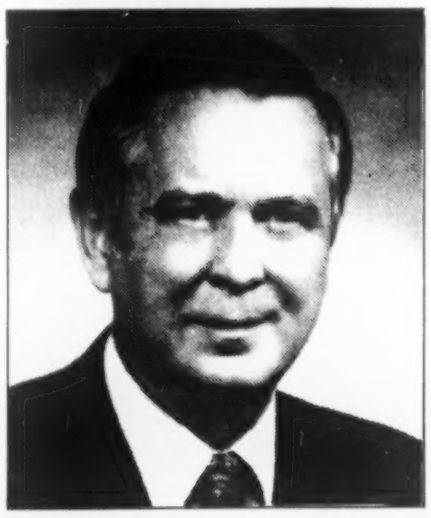
So what happens now? My guess is that Seidman will run the show until he is good and ready to leave. Earlier, he had planned to make major advances on the cleanup by the end of June and then transfer the reins in an orderly manner. But you don't push a fighter like Seidman around. The insider maneuvering to get rid of him was about as inept as any I've witnessed.

High Price for 'Team Players'

Sununu and Brady have been on an unending search for "team players" for the cleanup. Team players, of course, are those who will unquestionably follow orders – right or wrong – and who will spout the party line, whether or not they believe it to be true.

In this process of attempting to stock their shelves with team players, they have driven away qualified people, slowing down the process and adding to the cost to the taxpayers.

Dan Kearney quit as president of the RTC in frustration. Fred Wolf declined to be a player when he learned the ground rules. Finally they selected Timothy Ryan as head of the Office of Thrift Supervision, the successor to the old Danny Wall outfit. He has impeccable credentials in the political arena and absolutely no experience in the liquidation field – and liquidation is what it is all about. The White House chief of staff should be very comfortable with him.



Irvine Sprague
Former FDIC chairman

"My guess is that Seidman will run the show until he is good and ready to leave."

Amateurs Run the Show

One recurring problem is that the RTC Oversight Board, which is supposed to set overall policy, consists of cabinet members who are well-intentioned people busy with their primary jobs. They turn over the operation to inexperienced amateurs in the Treasury Department. The actual work is done by the RTC at the FDIC.

Do we need an RTC Oversight Board? Do we need an RTC? It is a management nightmare. I am opposed to any more legislation about the cleanup right now; but when the time comes, the first priority should be to eliminate these impediments and unleash the FDIC to do the job. Fifty years of successful experience should count for something.

The one bright spot in the picture is the House oversight committee that is charged with keeping watch over the RTC. When I testified before the committee recently, I was pleasantly surprised. They asked all the right questions. With people like Chairman Bruce Vento, Jim Leach, and Charlie Schumer on the job it will make it more difficult for the RTC politicians to cause trouble.

With the FDIC chairmanship so much in the news, it will be useful to look at the past, which, after all, is prologue.

The Selection Process

First, a candidate invariably is sponsored either by the President or by a powerful figure who is willing to push for the appointment. Second, once confirmed by the Senate, the chairman cannot be removed short of impeachment. There are no impeachment precedents. I suppose it would take something as bad as trading arms to Iran in exchange for hostages.

Third, although the term of office as FDIC chairman is six years, it can now be extended indefinitely until a successor is qualified. I'm not certain whether qualified means confirmed by the Senate or actually sworn in. Finally, the 1989 law states that the President must designate a chairman and vice chairman. If the chairman leaves, the vice chairman becomes acting chairman. A complication today is that there is no vice chairman,

See **COMMENT** *page* **21**

Mr. Sprague was chairman or director of the Federal Deposit Insurance Corp. for more than 11 years, during which time he handled 374 bank failures. He frequently speaks before banking groups.

FUNNY MONEY/ *By Tom Leander*

Caught in Flagrante

Even the guys with the white hats can run into trouble shipping big bundles of cash, in this era of drug lords and money laundering.

A courier for The Federal Reserve Bank of Dallas nearly got busted last week when he made what the agency considered a routine pickup of $25 million.

According to the *Dallas Times Herald*, the courier briefly became a criminal suspect after police got a tip that he was at Dallas-Fort Worth International Airport to pick up a fortune in legal tender. The tipster said, accurately enough, that the cash was arriving from San Antonio in the cargo hold of an American Airlines jet.

When the startled courier was accosted by federal agents and local police, he was unable to produce documents showing where he got the money – or where it was going. He was released only after Federal Reserve officials at both ends of the route vouched for his bona fides.

Fed officials insisted that big shipments of cash are a routine matter for the guardian of the nation's liquidity. But law enforcement agents disagreed.

"It was unusual that they would put that kind of money in the belly of an airplane," said Daniel West, an officer with the Drug Enforcement Agency.

Tom Bloom

— **Steve Klinkerman**

* * *

No One Is Immune

Call it a real-life lesson about real estate woes in the Northeast.

Joseph Hu, head of mortgage research at Nomura Securities International, recently sought to refinance his home, a co-op in New York's fashionable Brooklyn Heights section. Mr. Hu found to his surprise that the appraised value of the property was 20% lower than what he paid for it five years ago.

Joseph Hu

Mr. Hu related the incident to lend a personal touch to a speech he gave to the Mortgage Bankers Association of America in New York this week. Mr. Hu's distress evoked spirited, if slightly jaded, laughter from an audience packed with colleagues.

* * *

Score One for Bush

Neil Bush, the President's son, knew he would be facing a hostile congressional panel when he was called to testify Wednesday about his involvement in the failed Silverado Banking, Savings and Loan Association.

Alluding to the hostile reception that his mother, First Lady Barbara Bush, is likely to get as this year's commencement speaker at Wellesley College, Mr. Bush told the press he would gladly trade places with his mother.

In testimony, Mr. Bush denied any wrongdoing in his role as an outside director of Silverado.

— **Robert Trigaux**

* * *

Saving Our Pennies

Now that the penny postcard costs 15 cents and penny candies cost at least a nickel, how much credibility could be left to the old saw, "a penny saved is a penny earned"?

Regardless of its diminishing buying power, a Gallup survey released this week revealed that 62% of Americans favor saving the penny from extinction.

Congress is considering legislation that would eliminate the penny. If it passes, merchants would be required to round cash transactions to the nearest nickel.

Why the loyalty to the penny? Survey findings show that 92% of respondents agreed with the statement: "The penny is a long-standing tradition in this country."

* * *

A Precious Asset

An analyst from San Francisco-based Montgomery Securities, in cahoots with her husband, parodied one of the standard formulas of financial advertising to announce a highly personal acquisition on April 22.

"Kathleen Smythe de Urqieta and Bernardo Urquieta have acquired Bernardo Charles Smythe Urquieta III, 8 lbs., 14 oz.," read a 5-inch by 5-inch card mailed to business associates and reporters.

In fine print, the couple noted proudly that Montgomery Securities "acted as adviser for this initial public offering." □

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SMALL BUSINESS

Banks Using PC Software To Attract New Accounts

By LAURYN FRANZONI
Special to the American Banker

The personal computer has already changed the way many business owners manage their enterprises. Now, banks can use software packages and communications to open doors with small-business clients and retain their accounts.

Computer links between banks and small companies have "changed our way of doing business," says Michael R. Hinton, executive vice president for marketing and deposit services at Old National Bancorp., Evansville, Ind. "Our commercial customers would tell you that they would not leave us for a bank that didn't offer this system."

The system he is talking about is the InTouch Cash Manager, licensed and operated by Harbinger Computer Services, Atlanta. InTouch combines a personal-computer software program and communications network that allows a small-business owner to communicate easily with a bank.

InTouch lets customers obtain bank balances and transaction records, move funds between accounts and to other financial institutions, automatically store the data on the PC, generate cash-flow reports, reconcile bank accounts, produce bank statements on demand. Other features include check writing, scheduling, and access to a variety of national information services.

Bankers say each customer buys the program for a different piece of the service.

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The bank's customers dial a toll-free number in Harbinger's EDI network. Once the bank link is established, the system quickly downloads the account information to the customer's PC. Then the menu-driven software takes over; no transmission charges are incurred.

First of America Corp. in Kalamazoo, Mich., is offering Intouch. In announcing the decision to do so, the bank's vice president, Bruce McCall, said:

"The strategic importance of the corporate market to our banks is clear. The InTouch Cash Manager is specifically designed to fulfill the cash management needs of this key market and does so at a price even the smallest corporation can afford."

Typically, a bank pays a one-time installation or license fee for the Harbinger product. That fee may vary according to the degree of exclusivity and other factors.

The bank then buys customer software packages from Harbinger. They can be resold at any price; some are selling the package below cost for competitive reasons, while others add a substantial premium. There are also monthly transaction fees.

Individual Fees as High as $140 a Month

The affordability and the variety of features have let sales representatives at Old National Bank, an $850 million-asset institution, close eight of every 10 proposed deals, Mr. Hinton says. In six months he has put 70 customers on-line. The customers pay an average of $60 per month in transaction fees to the bank; individual fees range from $30 to $140.

"The fee income is a big advantage," Mr. Hinton says. "But the most important advantage is the increased balances we see on all of the InTouch accounts."

"The product is a balance generator," says Jill Rushing, vice president and manager of the corporate products group at the $4.6 billion-asset Deposit Guaranty National Bank, Jackson, Miss. She says sales of the product to "100% prospect" customers (those without any relationship to her bank) have exceeded expectations.

"Many of our credit officers can sell the product as well as the sales force I have in place, mostly because it's so much fun to sell," she says. Because of the gratifying fee income and affordability of InTouch, Mr. Hinton says, he has dedicated two sales people and one customer-service person to the product.

Marine Midland Bank, Buffalo, N.Y., uses the InTouch software to "open doors," according to department executive Carl Lashua.

According to a survey recently conducted by Trans Data Corp., an *American Banker* affiliate, one-fifth of banks and thrifts now offer some form of computerized banking service to the small-business market. An additional 9% expected to add such service this year.

Regional differences were evident. Nearly one-third of Southern institutions offer computerized banking services to small businesses, while only 11% of New England institutions and 12% in the Middle Atlantic region do.

Among other banks offering InTouch Cash Manager are Wells Fargo Bank, San Francisco; National City Bank, Cleveland; First National Bank of Atlanta; Deposit Guaranty; Illinois National Bank, Springfield; United Bank of Illinois, Rockford; First Trust, Kankakee; Bank Midwest, Bloomington, Ind.; Dekalb (Ill.) Bank; and Merchants National Bank, Terre Haute, Ind.

Ms. Franzoni is a freelance banking reporter in Springfield, Mo.

Dial-Up Banking Is Catching On

Institutions Enter Next Phase of Electronic Revolution

By ELLEN MEMMELAAR

NEW YORK — Consumers are eager to bank by phone, and financial institutions are rising to the occasion, a study commissioned by the International Business Machines Corp. shows.

Of 1,001 U.S. adults in the poll, 64% said such services would make banking more convenient.

That included 81% of people under age 35. By comparison, only 45% of those over 65 feel that telephone banking offers added convenience, according to the survey conducted in April and May by ICR Survey Research Group.

When ICR polled 250 vice presidents of retail banking operations to determine if their institutions offered banking by phone, 37% said they provide the service and 8% said they are planning to introduce it within two years.

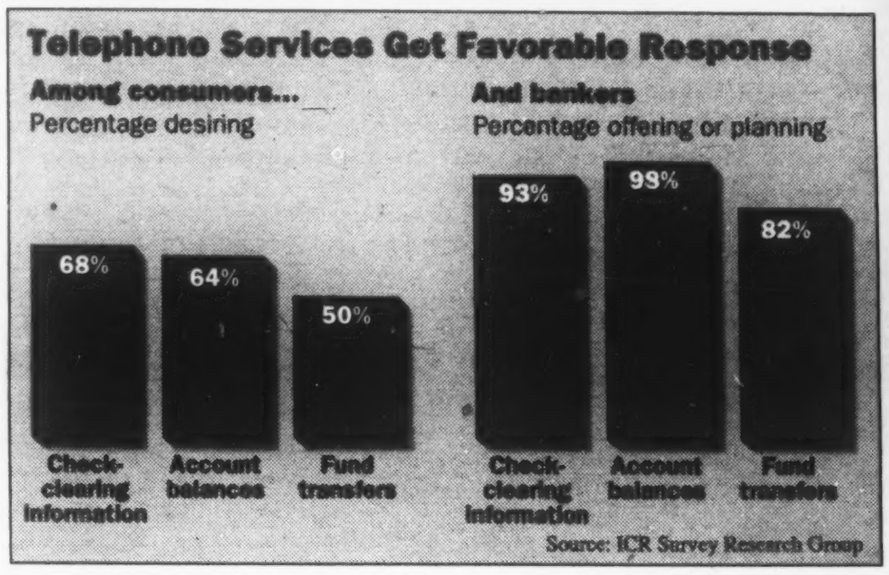
Cost of Human Capital

Large banks are currently the major suppliers of such services, and banks with assets of at least $100 million will account for most future growth, the study concluded.

"These banks are more conscious of the cost of human capital," said Donald Crosbie, vice president of marketing at InterVoice Inc., Dallas. Because larger institutions usually have a well-defined customer service area, they can see the effect that such a system has on the bottom line easier than can smaller banks "where everybody answers the phone," he said.

Banks with at least two locations, or 42% of the total, offer the service, while 28% of those with just one location have teleservicing functions.

"We saw [telephone banking] as a value-added service for our customer base," said Brenda Hellams, a spokeswoman for South Carolina National Bank, which recently installed a telephone-response system created by InterVoice.



Voice-Activated System

The service, which is part of the bank's Flex Banking package, is both voice activated and touch-tone driven. Consumers can access savings, checking, and credit card accounts, make installment and home equity loan payments, and get interest rate information. They also can retrieve updates on automated teller machine and debit card transactions.

More and more financial institutions are looking at banking by phone, not only as a customer convenience, but also as a way to cut costs.

More and more financial institutions are looking at banking by phone, not only as a customer convenience, but also as a way to cut costs, the study found.

The payback from such a system usually takes six to 12 months, said Mr. Crosbie. NCNB National Bank, the principal subsidiary of NCNB Corp., Charlotte, N.C., recently claimed a 2½-month payback, he said.

Three-fourths of institution officials said that improving customer service was a motivation for adding the service, while 40% said they expected greater efficiencies. Twenty-two percent said telephone banking facilities lowered in-branch traffic, and 20% said the move freed personnel for other duties.

Appeal to High-Income Users

Higher-income consumers are most receptive to banking by phone. Fifty-five percent of those from households with annual incomes under $15,000 find the voice-response systems convenient, while 76% of those earning more than $50,000 are willing to use such a system.

Nearly seven in 10 consumer respondents said they would use such a system to see whether checks had cleared, and 61% would like to check their balances. Fifty percent said they would use a phone system to make account transfers.

Paying bills by telephone appealed to 40% of the sample, while 34% would use the system to apply for loans. □

AMERICAN BANKER */Bank Rate Monitor's™*

Consumer Money Index — Highest Retail Yields and Jumbo Rates

These are the highest jumbo CD rates and retail CD yields offered on May 23 by the 100 largest banks and thrifts in the nation's 10 largest markets. The star ratings are supplied by Veribanc Inc. of Wakefield, Mass., which evaluates the financial condition of institutions using fourth quarter, 1989, data from federal regulators and assigns 0 (lowest) to 3 (highest) star to the institutions. Information from Veribanc is believed to be reliable, but the accuracy, adequacy, and completeness of the information is not guaranteed.

Retail Yields

Six-month		
Columbia S&L, Irvine, Calif.		9.00%
Maine Savings Bank, Portland		8.89
Senator S&L Towson, Md.	★★	8.87
Citytrust, Bridgeport, Conn.		8.84
Heritage Savings Bank, Richmond, Va.		8.72
One-year		
Maine Savings Bank, Portland		9.00%
Senator Savings Bank, Richmond, Va.	★★	9.00
Heritage Svgs Bank, Richmond, Va.		8.98
Beach Svgs Bank, Fountain Valley, Calif.	★★★	8.96
Citytrust, Bridgeport, Conn.		8.95
Five-year		
Mercantile Bank, Boston, Mass.	★★★	9.06%
Eastern Savings Bank, Hunt Valley, Md.	★★	9.05
First Trade Union Svgs, Boston, Mass.	★★	9.04
Maine Savings Bank, Portland		9.00
The Bank Mart, Trumbull, Conn.	★	9.00

Jumbo Rates

Six-month		
Brookside S&L, Los Angeles, Calif.		8.95%
Financial Savings, Fresno, Calif.		8.80
Westwood Savings & Loan, Calif.		8.80
John Hanson Savings, Beltsville, Md.	★	8.75
Yorkridge-Calvert Fed Svgs, Baltimore, Md.		8.75
One-year		
California Thrift & Loan, Santa Barbara	★★★	8.96%
Brookside S&L, Los Angeles, Calif.		8.95
Americity Fed Savings, Laredo, Tex.	★	8.80
First Annapolis Bank, Annaplis, Md.		8.80
Bank of New England, Boston, Mass.		8.75
Five-year		
Metroplitan Bank for savings, Arlington, Va.	★★★	10.25%
Bank Hapoalim, Chicago, Ill.		9.10
Brownsville Bank, Tenn.	★★★	8.90
New South Federal Svgs, Birmingham, Ala.	★★★	8.80
Columbia First Bank, Arlington, Va.	★★	8.75

Source: ©Bank Rate Monitor, North Palm Beach, Fla. 33408. All inquiries: (407) 627-7330

Look for *"Sound Off"* every Monday on page 4 in the *American Banker.*

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